THE ROLE OF DIGITAL TRANSACTIONS, TAX POLICY, AND CTAS IN SHAPING TAXPAYER COMPLIANCE: A CASE STUDY OF INDONESIAN SMES

Deranika Ratna Kristiana[1]
STIE YKPN Yogyakarta, Indonesia

Ika Puspita Kristianti
STIE YKPN Yogyakarta, Indonesia

Prima Rosita Arini Setyaningsih
STIE YKPN Yogyakarta, Indonesia

ABSTRACT

This study examines the impact of digital transactions, tax policy, and the Core Tax Administration System (CTAS) on taxpayer compliance among small and medium-sized enterprises (SMEs) in Indonesia's tourism sector. Data were collected from SMEs in the Yogyakarta Special Region (DIY) and Bali Province using a quantitative survey method. Structural equation modeling (SEM) was employed to analyze the relationships among digital transaction adoption, perceptions of tax policy, CTAS effectiveness, and tax compliance, while also exploring the moderating effect of the Love of Money behavior. The findings reveal that digital transactions alone do not guarantee higher tax compliance due to infrastructural gaps, educational challenges, and concerns over privacy and enforcement. Transparent and well-structured tax policies significantly enhance compliance, and the implementation of CTAS strengthens traceability, system efficiency, and taxpayer trust. Behavioral factors, particularly financial attitudes, influenced compliance motivations, highlighting the need for incentive-driven policies. This study contributes to understanding how digital innovation, behavioral economics, and tax policy intersect to influence SME tax compliance in emerging economies. The findings provide practical recommendations for policymakers to integrate digital systems with targeted incentives, enhance digital and tax literacy, and strengthen infrastructure, thereby fostering a more inclusive and compliant tax environment in Indonesia. This approach aims to cultivate a culture of compliance among SMEs and ultimately strengthen Indonesia's fiscal resilience.

[1] *Corresponding author: Deranika Ratna Kristiana, Sekolah Tinggi Ilmu Ekonomi YKPN Yogyakarta Indonesia, Jl. Seturan Raya Jl. Raya Kledokan, Kledokan, Caturtunggal, Kec. Depok, Kabupaten Sleman, Daerah Istimewa Yogyakarta, Indonesia 55281. 087839127936. Email: deranika@stieykpn.ac.id*

1. INTRODUCTION

Indonesia's economic trajectory in 2024 is forecasted to grow moderately, signaling cautious optimism amidst global economic recovery trends (www.kemenkeu.go.id, 2023). This recovery is primarily driven by increased global export demand and reinforced by robust domestic consumption, catalyzed by employment growth and improved household income (Reimert & Rust, 2022). While a conducive investment climate further supports this outlook, persistent uncertainties in global politics and economics remain critical risk factors (Dumiter, 2023). Effective tax policy is crucial for sustaining this growth, with gross domestic product (GDP) serving as a fundamental metric for determining tax revenue targets. A nation's tax ratio—the proportion of tax revenue to GDP—is widely recognized as a key indicator of a tax system's efficacy (Masithoh & Mardikaningsih, 2022; Twesige et al., 2024).

However, Indonesia struggles with a structurally low tax ratio compared to its ASEAN counterparts. The government's strategy to address this issue includes implementing the Core Tax Administration System (CTAS) starting July 1, 2024. This system represents a significant digital reform aimed at enhancing tax administration efficiency, increasing taxpayer compliance, and boosting the national tax ratio (Dimetheo et al., 2023; N. Rahmi et al., 2023).

The problem of low tax compliance among small and medium enterprises (SMEs), especially in tourism-centric areas such as the Special Region of Yogyakarta and Bali, Indonesia, despite these areas making a significant contribution to local economic growth, SMEs in these areas often show poor compliance due to limited digital literacy, a lack of understanding of tax regulations, and a lack of government outreach. While the literature has discussed the digital transformation in taxation and the role of policy in general, empirical evidence is lacking on how such a transformation, particularly CTAS, affects taxpayer behavior in specific sectors. Moreover, although established frameworks such as the Technology Acceptance Model (TAM) and the Theory of Planned Behavior (TPB) have provided valuable insights into technology adoption, they often overlook sector-specific variables and intrinsic motivators, including financial attitudes. This study addresses that gap by integrating "love of money" as a moderating variable, an element rarely examined in the context of tax compliance. It also responds directly to the call for more behaviorally integrated models by analyzing how SMEs in the tourism sector react to digital tax initiatives, especially those facilitated through CTAS.

This research thereby contributes to the academic discourse by offering a nuanced exploration of how technological readiness, tax policy, and digital transaction usage affect tax compliance, while also assessing the moderating role of personal financial attitudes. Doing so builds a theoretical and practical bridge between behavioral economics and digital governance in taxation. This study expands academic understanding by targeting a high-impact sector (tourism SMEs) and leveraging a timely policy reform (CTAS). It offers actionable insights for policymakers aiming to enhance fiscal sustainability through digital transformation.

Small and medium-sized enterprises (SMEs) contribute 61% of Indonesia's GDP and account for 97% of its employment. In the digital era, SMEs face challenges such as limited digital literacy, high costs associated with creating e-commerce platforms, and the fear of digitalization changes that encourage SMEs to continue upgrading their technological capabilities. The government

encourages SMEs to adopt digital technology by applying it in sales and marketing, company operational management, and services to consumers through the implementation of digital transactions, such as Electronic Data Capture machines, transfers, and QRIS, in their business operations (Legowo et al., 2022; Verbivska et al., 2023). Digital technology aims to expand market reach, increase sales, reduce operational costs, enhance effectiveness and efficiency, and improve customer satisfaction. It aims to increase market reach, boost sales, reduce operational costs, enhance effectiveness and efficiency, and enhance brand awareness (Hapsoro et al., 2022; Islam et al., 2023). By applying digitalization to business processes and transactions, SMEs can increase their gross turnover, thereby fulfilling their tax obligations (Putera et al., 2022). The government passed a tax policy contained in PP 55 of 2019 for SMEs, which aims to improve tax compliance for SMEs by providing more straightforward rules and tax incentives, such as a reduction of 500,000,000.00 rupiahs for gross turnover for one year (Nur et al., 2021; Padyanoor, 2020; Ramdhan, 2020; Wardani & Susilowati, 2020). The problem-solving strategy is to expand the local Direktorat Jendral Pajak (DJP) Online office's socialization of the new policy, especially for SMEs, to provide a better understanding, encourage compliance, and avoid tax violations (Aqiila & Furqon, 2021; Belananda M & Anggoro R, 2022; Lolowang et al., 2022). With the discourse of the core tax application system that the government will soon authorize, it will be easier for SMEs to fulfill tax obligations, improve tax compliance because the Tax ID Number has been integrated with the Population Identification Number, reduce errors in tax reporting because all fields in the SPT are available, and increase the efficiency of tax administration (Harun Nisa, 2020; Susanti et al., 2020). SMEs in the tourism sector are well-developed in Bali, Indonesia (approximately 340,000 units), and the Special Region of Yogyakarta, Indonesia (approximately 297,000 units). Still, the contribution to GDP and taxation aspects has not been maximized. Therefore, this study examines the perceptions of technology readiness and tax compliance among tourism sector SMEs regarding the CTAS that will take effect in mid-2024, aiming to increase Indonesia's tax ratio (Blichfeldt & Schmidt, 2023).

2. LITERATURE REVIEW

This study is conceptually grounded in the Technology Acceptance Model (TAM) as its theoretical framework, while integrating the Theory of Planned Behavior (TPB) and the Love of Money Theory as complementary perspectives. This theoretical synthesis offers a robust, multidimensional lens for examining taxpayer behavior within the context of digital taxation in Indonesia's tourism sector. The Technology Acceptance Model (TAM), formulated by Davis (1989), posits that an individual's intention to adopt new technology is influenced primarily by two perceptions: *perceived usefulness* and *perceived ease of use*. These two constructs are particularly salient in the Core Tax Administration System (CTAS) context, where taxpayer engagement largely depends on whether users find the system practically beneficial and easy to navigate. TAM has been widely applied in studies of digital taxation and e-government services, offering a powerful lens for predicting technology adoption among SMEs (Najib & Fahma, 2020; Park, 2009; S. Rahmi et al., 2022).

To extend TAM's predictive capacity beyond technological variables, this study incorporates the Theory of Planned Behavior (TPB) by Ajzen (1985), which asserts that behavior is shaped by intentions formed through attitudes, subjective norms, and perceived behavioral control. In the context of tax compliance, TPB helps explain how social pressures, perceived control over tax

reporting processes, and personal attitudes influence a taxpayer's likelihood of adopting CTAS or complying with tax regulations (Hermawan S, 2021; Maulana & Andrianingsih, 2023). Further enriching this theoretical framework is the inclusion of the Love of Money Theory (Tang, 1999), which highlights the role of individual financial orientation in ethical decision-making. In tax compliance literature, individuals with a high affinity for financial gain are often more prone to non-compliance, unless deterrent mechanisms or tangible benefits are introduced. This makes the construct particularly relevant when analyzing taxpayer behavior in contexts where monetary motivation is a dominant driver, such as among small business owners in tourism-driven economies (Agustina Nurachmi & Hidayatulloh, 2021; Mangngalla & Pontoh, 2023).

By combining these three frameworks, the study presents a holistic model that bridges technological acceptance, behavioral intention, and intrinsic motivation, providing a nuanced explanation of tax compliance in a digitalized fiscal landscape. The choice of this integrated theoretical framework is highly relevant given the intersection of digital innovation, policy reform, and behavioral dynamics in Indonesia's tourism sector. The implementation of CTAS represents a substantial institutional change that challenges SMEs, especially those with low digital literacy and minimal exposure to formal tax systems, to adapt to new technological and regulatory expectations. The combination of TAM and TPB captures how such users interact with the system from both a usability and intention-based perspective, while the Love of Money Theory captures the motivational underpinnings that may enhance or hinder compliance efforts.

This triadic framework is particularly suited to assess the complexities of SMEs in the Special Region of Yogyakarta and Bali, Indonesia, where tourism is a significant economic driver but informal practices and tax avoidance remain prevalent. It enables the study to go beyond simplistic compliance narratives and explore deeper interactions between systemic infrastructure (CTAS), individual beliefs, and socio-economic motivations. A growing body of empirical literature supports the relevance of these theoretical underpinnings but also reveals notable research gaps, particularly in sector-specific analyses. For example, studies by Rahmi et al. (2022) and Wulandari & Dasman (2023) demonstrate that user-friendly digital taxation platforms, such as e-filing and e-billing, improve compliance and are supported by effective outreach. However, Firmansyah (2024) cautions that efficiency alone is insufficient; many SMEs remain hesitant to engage due to fear of technology, a lack of clarity, or resistance to change.

Furthermore, digital transaction mechanisms such as QRIS and EDC have been linked to enhanced tax traceability and revenue tracking (Legowo et al., 2022; Verbivska et al., 2023); however, the behavioral implications of these tools remain understudied. This gap becomes more apparent in tourism sectors where cash-based transactions are common and digital penetration is uneven. Moreover, behavioral variables, such as a *love of money*, have emerged as critical moderating factors. Studies by Abung & Damayanti (2023) and Mangngalla & Pontoh (2023) reveal that financial motivations can have either a positive or negative influence on compliance behavior, depending on how systems and policies are framed. However, few studies have examined this variable in the context of digital tax systems, such as CTAS, especially among tourism-based SMEs.

This study makes a conceptual and empirical contribution by presenting a novel framework that integrates technology acceptance, planned behavior, and financial ethics within a single model. Empirically, it fills a critical gap in the literature by focusing on the tourism SME sector—an economically significant but academically underrepresented domain in the study of tax compliance.

By examining the interplay between CTAS adoption, digital transaction behavior, and personal financial orientation, this study offers policy-relevant insights that could inform targeted interventions in similar developing country contexts.

Furthermore, the study aligns with recent calls in taxation literature for more behavioral-institutional approaches that account for the what of compliance and the *why* and *how* behind it (Dumiter, 2023; Tambun & Riandini, 2022). It advances our understanding of the enabling conditions for successful digital transformation in tax systems and underscores the importance of context-specific behavioral factors in policy design and implementation.

3.   METHODOLOGY

This research employs a quantitative approach, utilizing both primary and secondary data. The population in this study consisted of SMEs in the tourism sector registered at the Office of Cooperatives and SMEs in the Special Region of Yogyakarta and Bali, Indonesia. The population of MSMEs in Bali Province is 442,848, while in the Special Region of Yogyakarta Province, it is 346,757. Thus, the total population in this study is 789,605 MSMEs. The determination of the sample size was carried out using the Slovin method developed in 1960, with the formula:

$$n = \frac{N}{1+N(\alpha)^2}.$$

Using the Slovin formula, the minimum number of samples required is 100 respondents. This research was conducted by distributing questionnaires to a sample of respondents who met specific criteria (purposive sampling), comprising approximately 200 respondents. In selecting the sample, this study targets SMEs in the tourism industry in the Special Region of Yogyakarta and Bali Province, with an annual turnover of no more than IDR 4,800,000,000.

The primary data collected in this study are the results of the questionnaires completed by respondents. In addition, researchers would also conduct interviews (in-depth interviews) with respondents to get an accurate picture of the conditions in the field. Researchers selected respondents for interviews based on location and visited shops that were either busy with visitors or empty. It is hoped that the interview results will accurately represent the actual conditions of the respondents.

Secondary data were collected through a literature study, focusing particularly on the tax ratio for the past five years. It will also be seen how it relates to the conditions of taxpayers who are used as respondents in this study. The secondary data is related to taxes received by the state and the number of MSMEs. Researchers will use the data to assist in conducting analyses related to research results and determining the respondents.

3.1   *Variable Measurement*

This study has three independent variables: Tax Socialization, Tax Policy, and Digital Transactions. In addition, the dependent variable in this study is the Tax Compliance Variable. To support the research, mediating variables, namely the Core Tax Administration System, and moderating

variables, such as the Love of Money variable, are also examined in this study, as shown in the following table. All variables in this study were measured using a 5-point Likert scale with information: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree.

Table 1: Operational Variables and Measurement

Variable Type	Variable Name	Descriptions	Measurements
Dependent Variable	Tax Compliance	Tax compliance occurs when taxpayers fulfill all tax obligations and exercise their taxation rights. Thus, it can be inferred that taxpayers strive to comply with applicable tax law regulations, fulfilling their duties while exercising their taxation rights.	1. Taxpayer Understanding 2. Taxpayer Awareness 3. Transparency and Ease of Information 4. Taxpayer Compliance
Independent Variable	Tax Socialization	Tax socialization can be interpreted as the government's efforts to convey information related to taxation in the hope that it will change the knowledge, skills, and attitudes of the business community, apparatus, and government and non-government institutions so that they are encouraged to understand, be aware, care for, and contribute to carrying out tax obligations.	1. Level of taxpayer understanding 2. Scope of tax socialization 3. Media used 4. Materials distributed
	Tax Policy	The tax policy referred to in this study is the Harmonization of Tax Regulations law, which aims to harmonize various tax regulations across different jurisdictions. The dimensions used in this study are related to the usefulness of the Core Tax Administration System.	Understanding Tax Regulations
	Digital Transaction	Digital transactions refer to the processes or mechanisms involved in conducting transactions electronically or digitally. Digital transactions encompass various payments or value exchanges made through electronic platforms, including the Internet, mobile devices, and electronic payment systems (e.g., EDC and QRIS). This study's indicators include convenience, controllability, flexibility, and ease of use.	1. Digitalization of MSMEs 2. Perception of Accounting Information
Mediating Variable	Core Tax Administration System	The Core Tax Administration System (CTAS) variable is a term that describes the latest system developed by the government, which integrates the NIK and the business registered on behalf of the taxpayer. CTAS measurement uses indicators in the Technology	1. Perceived Ease of Use 2. Perceived usefulness 3. Attitude 4. Behavioral Intention 5. Subjective Norm

			Acceptance Model (TAM) theory. The indicators used include Perceived Ease of Use, Perceived Usefulness, Attitude, Behavioral Intention, Subjective Norm, and System Accessibility. The questionnaire used in this study was developed by Park (2009).	6. System Accessibility
Moderating Variable	Love of Money		The love of Money is a variable that describes the attitude of someone who values money and uses it as a motivation to become rich. In addition to the above-mentioned variables, this study also employs control variables that will limit the data processing process, allowing the results to focus on the subjects determined in this study. The control variables used in this study include gender, gross domestic product (GDP), and education level.	1. Important factors in life to improve social status and personal satisfaction 2. One of the assessments of individual success. 3. Increase personal confidence. 4. Personal satisfaction that reflects happiness and peace

3.2 *Data Quality Test*

The data quality test in this study is conducted to determine whether the collected data accurately reflects the actual field conditions. Two data quality tests would be carried out: validity and reliability. The validity test was conducted using Confirmatory Factor Analysis, and the KMO value and factor loadings are presented. The second quality test is the reliability test. The reliability test is conducted to assess the consistency of the questionnaire items. A variable can be considered reliable if the resulting Cronbach's Alpha value is greater than 0.8 for each variable test result. After the data quality test, a classical assumption test is carried out to determine if the data is free from normality, heteroscedasticity, and multicollinearity problems.

3.3 *Hypothesis Testing*

The testing technique employed in this study utilized the Structural Equation Model (SEM) analysis method, along with the SmartPLS statistical tool. The SEM model tested three independent variables: Tax Socialization, Tax Policy, and Digital Transactions. The dependent variable used in this study is Tax Compliance. Testing the relationship between the independent and dependent variables also involves a mediating variable, namely the Core Tax Administration System, and a moderating variable, namely the Love of Money.

This test showed that implementing the Core Tax Administration System increased taxpayer compliance with their obligations. SEM analysis would be used because it involves testing the validity and reliability of the instrument (Confirmatory Factor Analysis), examining the relationship model between variables (Path Analysis), and developing a suitable model to predict outcomes (structural model analysis and regression analysis). Validity (content, construct, and criterion) and reliability testing will ensure that the instrument used measures what it is intended

to measure and is consistent. The results of this analysis and testing would be used to establish causal relationships and enable a more in-depth analysis of the factors to be developed.

3.4 *Research Model*

Figure 1: Research Model
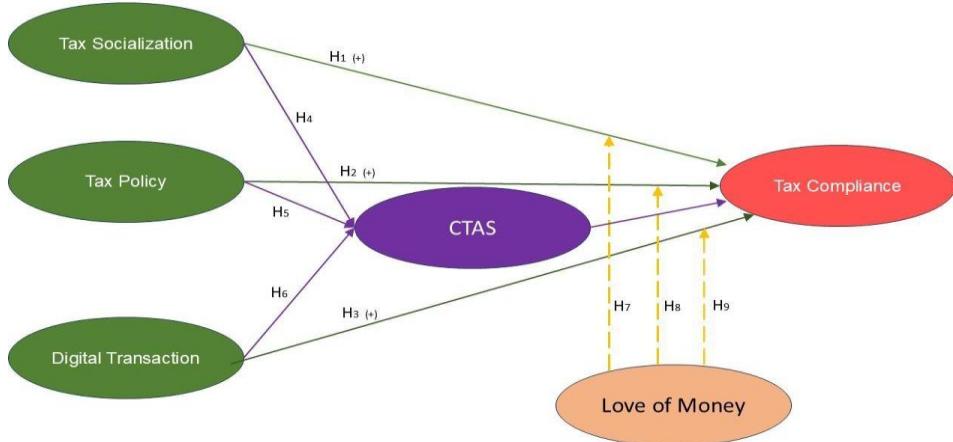
This study aims to examine the role of the Core Tax Administration System and digital transactions in increasing the tax ratio in the tourism industry. Researchers used a survey method by distributing questionnaires to respondents in the form of Small and Medium Enterprises engaged in the tourism industry, domiciled in the Special Region of Yogyakarta and Bali, Indonesia, with a turnover of less than or equal to IDR 4.8 billion, to test respondents' responses to the research variable indicators. The questionnaire was collected in July and August 2024 through face-to-face interviews and online questionnaires on Google Forms distributed via WhatsApp with the link *https://bit.ly/Kuesioner_CoreTaxSystem*. Before the questionnaire was distributed, the researcher conducted a Focus Group Discussion and a pilot test to ensure that the questionnaire would accurately capture the actual conditions when it was circulated. Based on the respondents' responses collected in the online database, the researchers processed the data using the regression method using the SmartPLS 4 application to analyze the results of testing the research hypothesis.

4.   RESULTS AND DISCUSSION

Based on the results of the demographic test, it can be seen that the distribution of questionnaires in the Special Region of Yogyakarta and Bali, Indonesia, is balanced, namely 50% each. Based on gender, respondents in this study were predominantly women, comprising 69%, with the remaining 31% being male. When viewed from the perpetrator's age, the age range of 31-40 years dominates in this study, accounting for 31% of the total.

Table 2: Demographic Statistics

Data	Total	Percentage
GENDER		
Female	171	0.69
Male	77	0.31
Total Respondents	248	
AGE		
18-30	50	0.20
31-40	77	0.31
41-50	67	0.27
>50	54	0.22
Total Respondents	248	
PROVINCE		
Special Region of Yogyakarta	124	0.5
BALI	124	0.5
Total Respondents	248	

The analysis has two stages: testing the outer model (measurement model) and the inner model (structural model). Outer model testing includes validity and reliability testing of indicators and constructs, using several indicators, namely Loading Factor, Cronbach Alpha, and AVE.

Table 3: Loading Factor

INDICATOR	LOADING FACTOR	INDICATOR	LOADING FACTOR
CT1	0.78	PP3	0.893
CT2	0.915	PP4	0.886
CT3	0.931	PP5	0.866
CT4	0.904	PP6	0.711
CT5	0.918	PP7	0.749
CT6	0.921	S1	0.775
CT7	0.923	S2	0.84
KP2	0.81	S3	0.838
KP3	0.805	S4	0.71
KP4	0.793	S5	0.842
KP5	0.805	S6	0.803
LM1	0.759	TD1	0.826
LM2	0.731	TD2	0.819
LM3	0.786	TD3	0.86
LM4	0.809	TD4	0.796
LM5	0.775	TD5	0.877
LM6	0.77	TD6	0.82
LM7	0.753	TD7	0.804
PP1	0.772	TD8	0.752
PP2	0.853		

Table 4: Outer Model

Variable	Cronbach's alpha	Average variance extracted (AVE)
Core Tax Administration System	0.96	0.811
Tax Policy	0.817	0.645
Tax Compliance	0.918	0.675
Love of Money	0.888	0.592
Tax Socialization	0.889	0.644
Digital Transaction	0.93	0.673

Based on the validity and reliability test results, it is evident that the values of the three indicators demonstrate that the model is valid and reliable. In testing the inner model, analysis is carried out on structural tests, which include the t-test value, R2, F2, Q2, and SRMR. Based on the outer model test results in Table 4, it is concluded that the research model is fit and can be predicted.

4.1 *Path Coefficient*

The path coefficient indicates the significance and relevance measured, with a reference level of importance in the form of a p-value <0.10, and by the proposed model. The results of data processing indicate statistical significance in the effect of Tax Policy on Tax Compliance (H2), the role of the Core Tax Administration System in mediating the impact of Tax Policy on Tax Compliance (H5), the role of the Core Tax Administration System in mediating the effects of Digital Transaction Implementation on Tax Compliance (H6), and the role of the Core Tax Administration System in mediating the impact of Tax Socialization on Tax Compliance (H7), and the role of Love of Money in moderating the effects of Digital Transaction Implementation on Tax Compliance (H9).

Figure 2: Path Coefficient
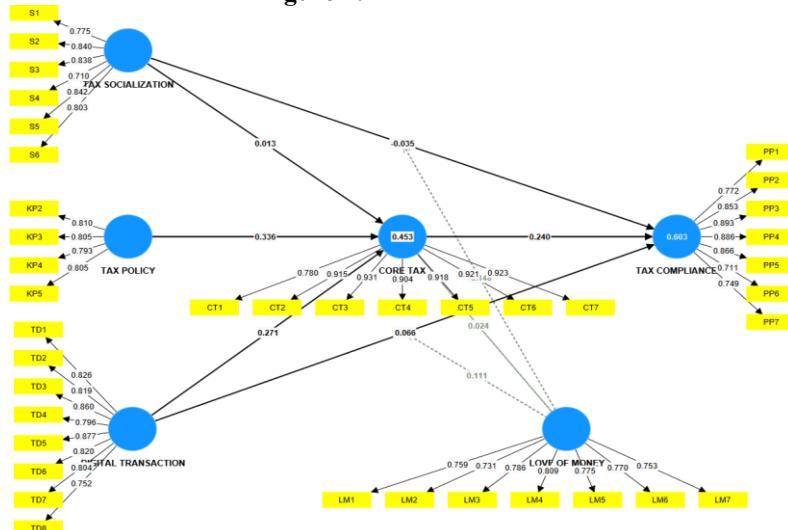
4.2   *Hypothesis Test*

Table 5: Hypothesis Test

Hypo thesis	Description	Result	Sig	Sig	Relationship	Decision
H1	Tax socialization has a positive effect on Tax Compliance	-0,035	0.610	Not Significant	Negative	Not Supported
H2	Tax policy has a positive effect on Tax Compliance	0,453	0.000	Significant	Positive	Supported
H3	Implementation of Digital Transactions has a positive effect on Tax Compliance	0,066	0.212	Not Significant	Positive	Not Supported
H4	Core Tax mediates the effect of Tax socialization on tax compliance	0.003	0.851	Not Significant	Positive	Not Supported
H5	Core Tax mediates the effect of Tax Policy on tax compliance	0.081	0.002	Significant	Positive	Supported
H6	Core Tax mediates the effect of Digital Transaction Implementation on tax compliance	0.065	0.003	Significant	Positive	Supported
H7	Love of Money moderates the effect of Tax socialization on tax compliance	-0,148	0.019	Significant	Negative	Supported
H8	Love of Money moderates the effect of Tax Policy on tax compliance	0,024	0.603	Not Significant	Positive	Not Supported

Notes: *p< 0.1.

The results of the data analysis above show that the first hypothesis is that tax socialization does not affect the level of tax compliance. Many business actors in the Special Region of Yogyakarta and Bali, Indonesia, still lack an understanding of the proper tax regulations, which encourages the government to organize ongoing tax education campaigns through various media, including print, image, and social media, as well as direct counseling, to increase awareness and compliance among businesses in paying taxes. Thus, it can achieve the target of increasing the tax ratio. The results of this study align with those of Sofyan and Sudirgo (2023) and Utami (2018), indicating that the tax socialization carried out so far may not have been effective.

The results of the data analysis for the second hypothesis indicate that tax policy has a positive impact on tax compliance. Adaptive tax policies in the digitalization era, such as incentives for businesses implementing digitalization systems in transactions, can encourage tax compliance. Clear, transparent, and easily accessible policies through digital platforms make it easier for companies in the tourism sector to understand and follow tax rules that are more efficient and accountable. Technology-supported tax policies also enhance transparency and mitigate the risk of

non-compliance resulting from a lack of information. Policies encouraging businesses to be more transparent in their financial reporting also strengthen supervision, making tax policies that support transaction digitization critical for increasing the tourism sector's tax ratio. Implementing policies that support digital transformation in taxation also maintains the stability of state revenue from this sector. The results of this study align with those of Anggraini & Setiawati (2022) and Wardhani et al. (2020), which are based on a motivational posture, indicating that individual self-awareness has a significant influence on compliant or non-compliant behavior in fulfilling their obligations. One of the most critical aspects of increasing taxpayer compliance is the strategy of tax audits and sanctions.

The data analysis of the third hypothesis shows that implementing Digital transactions, such as e-commerce and digital payments, does not affect tax compliance in the tourism sector. These results suggest that several factors contribute to this condition, including the complexity of the digital tax system and resistance to change. The tax system may be perceived as more complex than digital transactions or traditional tax systems, leading to confusion and difficulty in proper tax reporting, which in turn affects compliance. Additionally, some taxpayers may feel more comfortable with the manual system they are familiar with and be reluctant to switch to a digital system. This resistance to change may hinder potential improvements in tax compliance. Similar to research conducted by Firmansyah (2024), it can be observed that the digitalization of taxation makes the process of serving taxpayers reporting more accessible.

The results of the fourth hypothesis indicate that the Core Tax Administration System (CTAS) is unable to mediate between tax socialization and tax compliance. CTAS, which operates through a digital platform, is expected to enhance socialization by providing taxpayers with easy and transparent access to information. This system likely accelerates the flow of tax information, making the tax reporting process more accessible and significantly increasing tax compliance. However, the hypothesis test reveals that CTAS cannot mediate the relationship between tax socialization and tax compliance. This result could occur because CTAS is a relatively new concept that may not be familiar to some taxpayers, so the presence or absence of CTAS does not significantly impact taxpayer compliance.

The results of the fifth hypothesis test indicate that the Core Tax Administration System (CTAS) can serve as a mediator between tax policy and tax compliance. This CTAS system allows the Implementation of tax policies in a more structured and automated manner, ensuring that taxpayers can understand and fulfill these policies more efficiently. This process increases the tax ratio by providing clear guidance to taxpayers regarding their obligations under applicable policies.

The results of the sixth hypothesis test indicate that CTAS plays an essential role in facilitating the application of digital transactions to tax compliance. This core tax system can better monitor digital transactions, increasing transparency and minimizing tax evasion (Tjahjadi et al., 2022; Wulandari & Dasman, 2023). The ease of reporting and paying taxes through this digital platform increases taxpayer awareness and compliance in the tourism sector, contributing to an increase in the tax ratio.

Love of Money moderates the relationship between tax socialization and tax compliance. For taxpayers with a strong tendency towards Love of Money, tax socialization needs to be designed with a more pragmatic approach and economic incentives to encourage them to comply with tax

regulations. Through socialization, people will gain a deeper understanding of their obligations and the sanctions that will be imposed if they fail to comply with applicable regulations (Budiarto et al., 2018; Dumiter, 2023). For people who feel that Money is essential, socialization is important. It will comply with the latest tax regulations to avoid sanctions that result in the release of an increasingly large amount to be paid.

Love of Money cannot moderate the relationship between tax policy and compliance. Taxpayers with a high preference for personal gain tend to comply with tax policies only if they offer clear financial benefits. Therefore, policies that provide direct incentives for tax compliance, such as reduced tax rates or tax deductions, are more effective in increasing compliance for this group (Santoso & Erlina, 2020; Ugrin & Odom, 2010). Based on the test results, it is evident that the Love of Money does not affect how tax policies influence taxpayers' compliance with these policies.

Love of Money is proven to moderate the effect of digital transaction implementation on tax compliance. Taxpayers with a high tendency to Love Money are more likely to comply if digital transactions make it easy to obtain financial benefits through tax incentives or efficient payment systems. Therefore, applying digital transactions accompanied by financial incentives or convenience can increase their compliance (Abung & Damayanti, 2023; Mangngalla & Pontoh, 2023). With the ease of transactions, taxpayers will be more compliant with their tax obligations because they realize that they will also be subject to sanctions, which will increase the amount they must spend to pay taxes.

5.   CONCLUSION

This study examined the impact of digital transactions, tax policy, and the Core Tax Administration System (CTAS) on improving taxpayer compliance among small and medium-sized enterprises (SMEs) in Indonesia's tourism sector. Additionally, it explored SMEs' perceptions of digital transaction readiness and their attitudes towards tax compliance in anticipation of the CTAS implementation.

The findings revealed that digital transactions are crucial for modern economic activities, but their advancement does not automatically translate into higher taxpayer compliance. Significant barriers were identified, including infrastructure gaps, limited integration between tax systems and e-commerce platforms, and varying levels of digital and tax literacy. Concerns regarding privacy and the effectiveness of enforcement measures also emerged as factors that discourage compliance. The results underscore the need for a supportive framework that empowers taxpayers with reliable systems and resources. Furthermore, the study found that well-designed tax policies, perceived as transparent and fair, play an essential role in promoting voluntary compliance. Incentive structures and simplified administrative procedures positively influence taxpayers' willingness to fulfil their obligations. The CTAS emerges as a transformative tool in this landscape, enhancing transparency, real-time monitoring, and system consistency, mitigating evasion opportunities, and building taxpayer trust.

In addition, the study highlighted behavioral factors, particularly the "Love of Money," that moderate taxpayer responses. While financial incentives can enhance compliance where direct

benefits are visible, they do not consistently align personal motivations with broader tax policy goals. This finding suggests that policymakers should design incentive mechanisms that take into account the underlying financial attitudes of taxpayers. These insights significantly contribute to the existing literature by integrating the technological, behavioral, and policy dimensions of tax compliance. They reinforce the necessity for cohesive, incentive-driven tax policies, supported by robust digital systems like the CTAS, to promote compliance while respecting diverse taxpayer motivations.

Despite these contributions, the study has certain limitations. Its focus on the tourism sector in two Indonesian provinces limits the generalizability of the findings. Additionally, behavioral constructs such as the "Love of Money" are complex and challenging to measure accurately, which may constrain the depth of behavioral insights obtained. Future research should consider expanding the analysis to different sectors and regions, employing longitudinal approaches to assess the evolving impact of CTAS and digital transaction systems over time. Further studies might also explore the role of financial literacy, taxpayer education programs, and the effectiveness of specific incentives and penalties in fostering compliance.

From a practical perspective, the findings advocate for the continuous improvement of digital tax infrastructures and education campaigns that enhance digital and tax literacy among SMEs. Transparent, fair, and accessible tax policies should be prioritized to build a more inclusive and compliant taxpayer community. Collaborative efforts between government agencies and the private sector are essential to ensure the successful adoption and sustainability of digital tax administration reforms.

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